

The Retirement Savings Lost and Found Act of 2021

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Background:

As employers have shifted from defined benefit pension plans to individualized retirement plans, such as 401(k)s, workers increasingly have become responsible for tracking, managing, and consolidating multiple retirement accounts when they change jobs. There is no standard way for workers to consolidate their accounts, and many workers lose track of their hard-earned investments. According to a Government Accountability Office (GAO) report, about 25 million people changed jobs between 2004 and 2014 and left one or more retirement accounts behind.¹ This problem is expected to grow because young workers frequently transition between jobs. In 2020, the Department of Labor reported a ten-year median job tenure for workers between the ages of 55 and 64 compared to just under three years for workers between ages 25 and 34.²

When workers leave individualized retirement plans at their former employers, their workplace retirement accounts may be involuntarily rolled over into new accounts that do not generate as much interest. Current law permits employers to transfer retirement accounts of former employees into Individual Retirement Accounts (IRAs) provided such accounts are no greater than \$5,000. Though IRAs can be a safe investment option, IRA transfer fees can be hefty. GAO found that an unclaimed IRA with a \$1,000 balance could be reduced to \$0 in nine years because of investment fees alone.³ IRAs also tend to generate lower returns on investment than even the most conservative 401(k)s, but current guidance exclusively restricts transfer of these small accounts by employers into IRAs.

Summary:

The Retirement Savings Lost and Found Act of 2021 will help workers by providing them the tools necessary to track their retirement savings accounts when they move from job to job. The bill also provides much-needed clarity for employers on how to handle certain retirement accounts of former employees while meeting their fiduciary responsibilities.

This legislation will:

- **Create a national lost and found database for retirement accounts.** The bill uses data employers are already required to report to create a national, online, lost and found database for workers to find their former employer-sponsored retirement accounts. This database will be located at the Department of Labor.
- **Maximize investment earnings.** The bill directs the Department of Labor to issue new guidance permitting employers to move small retirement accounts into age-appropriate target-date or life cycle funds to allow workers to maximize their investment returns, which helps workers to continue building their retirement savings.

¹Government Accountability Office, 401(k) Plans: Greater Protections Needed for Forced Transfers and Inactive Accounts (November 2014) (online at <http://www.gao.gov/assets/670/667151.pdf>), p. 23.

² U.S. Bureau of Labor Statistics, Employee Tenure Summary (September 2020) (online at www.bls.gov/news.release/tenure.nr0.htm).

³Government Accountability Office, 401(k) Plans: Greater Protections Needed for Forced Transfers and Inactive Accounts (November 2014) (online at <http://www.gao.gov/assets/670/667151.pdf>), p. 10.

- **Transferring and reinvesting small accounts.** The bill permits employers to transfer accounts of \$1,000 or less to a new Department of Labor Office of Retirement Savings Lost and Found. This is a win-win. It clarifies what employers should do with accounts of no greater than \$1,000 and makes sure workers avoid any fees that erode their account balance. The Office will be charged with investing the accounts it receives and paying out such accounts with interest.